

# House Study Bill 129

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
COMMERCE, REGULATION  
AND LABOR BILL BY  
CHAIRPERSON JENKINS)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to equipment dealerships, by providing for the  
2 sale or transfer of a dealership and providing for the Act's  
3 applicability.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
5 TLSB 1727YC 81  
6 da/gg/14

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1 1 Section 1. NEW SECTION. 322F.5A TRANSFER OF DEALERSHIP.  
1 2 1. If a supplier has contractual authority to approve or  
1 3 deny a request for a sale or transfer of a dealer's business  
1 4 or an equity ownership interest in the business, the supplier  
1 5 shall approve or deny the request within sixty days after  
1 6 receiving a written request from the dealer. If the supplier  
1 7 has not approved or denied the request within the sixty-day  
1 8 period, the request shall be deemed approved. The dealer's  
1 9 request shall include reasonable financial information,  
1 10 personal background information, character references, and  
1 11 work histories for each acquiring person.  
1 12 2. If a supplier denies a request made pursuant to this  
1 13 section, the supplier shall provide the dealer with a written  
1 14 notice of the denial that states the reasons for the denial.  
1 15 A supplier may only deny a request based on the failure of a  
1 16 proposed transferee to meet the reasonable requirements  
1 17 consistently imposed by the supplier in determining whether to  
1 18 approve a transfer or a new dealership.  
1 19 Sec. 2. Section 322F.9, subsection 2, Code 2005, is  
1 20 amended by adding the following new paragraph:  
1 21 NEW PARAGRAPH. d. For all dealership agreements governing  
1 22 the sale or transfer of a dealer's business, section 322F.5A  
1 23 applies to those dealership agreements in effect that have no  
1 24 expiration date and all other such dealership agreements  
1 25 entered into or renewed on or after July 1, 2005. Any  
1 26 dealership agreement in effect on July 1, 2005, which by its  
1 27 own terms will terminate on a subsequent date, shall be  
1 28 governed by the law as it existed prior to July 1, 2005.

### EXPLANATION

1 30 This bill addresses dealership agreements under Code  
1 31 chapter 322F. Under that chapter, dealership agreements  
1 32 generally involve agricultural equipment franchises, but they  
1 33 may also involve construction equipment, industrial equipment,  
1 34 utility equipment, or outdoor power equipment franchises.  
2 1 Under the Code chapter, a franchisor is referred to as the  
2 2 supplier and a franchisee is referred to as a dealer or  
2 3 dealership. Generally, Code chapter 322F regulates business  
2 4 relationships between dealerships and suppliers by providing  
2 5 for the terms and conditions of dealership agreements. The  
2 6 Code chapter specifies rights and obligations for dealerships  
2 7 and suppliers. The Code chapter places restrictions on  
2 8 supplier practices, provides for supplier liability, and  
2 9 provides remedies available to the dealership.  
2 10 The bill provides that if a supplier has the authority to  
2 11 approve a request involving the transfer of a dealership,  
2 12 including an equity position in the dealership, it must  
2 13 approve or deny the request within 60 days after receiving the  
2 14 request. After that period, any unanswered response is deemed  
2 15 to be approved. The dealer must include information about  
2 16 each person acquiring an interest in the dealership. If the  
2 17 supplier denies the request, it must provide the dealer with a

2 17 written notice explaining that decision. The decision must be  
2 18 based on reasonable criteria which are consistently used to  
2 19 determine whether to approve a transfer or new dealership.  
2 20 The bill also provides a grandfather clause. It provides  
2 21 that the bill applies to those dealership agreements governing  
2 22 the sale or transfer of a dealer's business as provided in the  
2 23 bill, that are in effect that have no expiration date and all  
2 24 other such dealership agreements entered into or renewed on or  
2 25 after July 1, 2005. Any dealership agreement in effect on  
2 26 July 1, 2005, which by its own terms will terminate on a  
2 27 subsequent date, is to be governed by the law as it existed  
2 28 prior to July 1, 2005.  
2 29 LSB 1727YC 81  
2 30 da:nh/gg/14